



Recommendation for Action

File #: 21-2767, **Agenda Item #:** 59.

8/26/2021

Posting Language

Approve an ordinance authorizing the issuance and sale of City of Austin Public Improvement and Refunding Bonds, Taxable Series 2021, in an amount not to exceed \$85,005,000 in accordance with the parameters set out in the ordinance, authorizing related documents, approving the payment of the costs of issuance, and all related fees, and providing that the issuance and sale be accomplished not later than February 25, 2022.

Lead Department

Treasury.

Fiscal Note

The Fiscal Year 2022 debt service requirements and estimated annual administration fees for the paying agent/registrar for the proposed bond sale are included in the 2021-22 Proposed Operating Budget of the General Obligation Debt Service Fund.

Prior Council Action:

Reimbursement Resolutions approved by City Council on 9/10/2019 and 8/27/2020.

For More Information:

Belinda Weaver, Treasurer, 512-974-7885.

Additional Backup Information:

Approval of this ordinance will authorize the issuance of \$85,005,000 in City of Austin Public Improvement and Refunding Bonds, Taxable Series 2021, consisting of approximately \$7,350,000 in refunding bonds and approximately \$77,655,000 in new money bonds to provide funding for Affordable Housing (2018 Bond Election - Prop A) pursuant to reimbursement resolutions that were previously approved by Council. Reimbursement resolutions declare an issuer's official intent to reimburse a project's expenditure with the proceeds of obligations to be issued after the expenditure may have occurred. This action is required by IRS and U.S. Treasury rules and State law. Council generally reviews and approves reimbursement resolutions to tie with projects approved in the annual budget adoption, or at the time of a capital budget amendment for a particular project.

The General Obligation Debt Service cost for the new money bond issuance of \$77,655,000 is estimated as follows:

Total Over 20 Years:	Avera ge Per Year
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Principal	\$77,655,000	\$3,882,750
Interest	<u>43,806,500</u>	<u>2,190,325</u>
Total Debt Service	\$121,461,500	\$6,073,075

In addition to the new money bonds described above, approval of this ordinance will authorize the issuance of approximately \$7,350,000 in refunding bonds. Due to current favorable conditions in the municipal bond market and the September 1, 2021 optional redemption date of the bonds to be refunded, the City's financial advisor, PFM Financial Advisors LLC, has advised that refinancing, or "refunding" certain maturities from the City's Public Improvement Bonds Taxable Series 2011B may result in present value savings (lower debt service costs) that exceed the City's target guideline of 4.25% of the refunded bonds. Using estimated current market rates, the transaction is anticipated to produce approximately \$867,000 in present value savings or 13.2% of refunded par.

In order to provide the City with the flexibility to respond quickly to changing market conditions, the proposed ordinance delegates the authority to the City Manager or Chief Financial Officer (the "Pricing Officer") to complete the sale of the bond transaction in accordance with the parameters in the ordinance. Additionally, the authority of the Pricing Officer to exercise the authority delegated by Council under this ordinance expires on February 25, 2022.

The Bonds will be issued via competitive sale. Electronic Bids will be accepted on September 14, 2021. Bids will be verified by the City's Financial Advisor, PFM Financial Advisors, LLC, and the bonds will be awarded to the bidder providing the City with the lowest true interest cost.

For this transaction, McCall, Parkhurst & Horton L.L.P. will serve as bond counsel, and Norton Rose Fulbright US LLP will serve as disclosure counsel.

Strategic Outcome(s):

Government that Works for All.